



Financial Literacy and Education Commission Meeting

Thursday, January 29, 2004  
10:30 AM

U.S. Department of the Treasury  
Cash Room

Meeting Transcript

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The Commission met in the Cash Room in the U.S. Department of the Treasury, 1500 Pennsylvania Avenue, N.W., Washington, D.C., at 10:00 a.m., John Snow, Chairman, presiding.

**PRESENT:**

JOHN SNOW	Secretary of the Treasury
ALAN GREENSPAN	Chairman Board of the Governors of the Federal Reserve System
CHARLES ABELL	U.S. Department of Defense
JO ANNE BARNHART	Commissioner of Social Security
STEPHEN BENOWITZ	U.S. Office of Personnel Management
ANN COMBS	U.S. Department of Labor
DENNIS DOLLAR	Chairman, National Credit Union Administration
CAMPBELL GARDETT	U.S. Department of Health and Human Services
JAMES GILLERAN	Director, Office of Thrift Supervision
CYNTHIA GLASSMAN	Commissioner, Securities and Exchange Commission
EDWARDS GRAMLICH	Governor Board of Governors of the Federal Reserve System
MARY McPHAIL GRAY	U.S. Department of Agriculture
SHARON BROWN HRUSKA	Commissioner, Commodity Futures Trading Commission
JOANN JOHNSON	Vice-Chairman, National Credit Union Administration
JACK MARTIN	U.S. Department of Education
CHERYL MILLS	Small Business Administration
TIMOTHY MURIS	Chairman, Federal Trade Commission
EDWARD MURRAY	U.S. Department of Veterans Affairs
TERESA NASIF	U.S. General Services Administration
DONALD POWELL	Chairman, Federal Deposit Insurance Corporation
JOHN WEICHER	U.S. Department of Housing and Urban Development
JULIE WILLIAMS	Office of the Comptroller of the Currency

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## PROCEEDINGS

10:35 a.m.

SECRETARY SNOW: Thank you all for joining us today for this auspicious event. It is the inaugural meeting, as I think you know, of the Financial Literacy and Education Commission, and this Commission came about because of the leadership in the Congress of Senator Sarbanes and Senator Enzi, and a number of members of the House, including David Dreier, Congresswoman Biggert and others. And I want to commend the Congress for the leadership it's provided in creating this important initiative.

We in the Treasury and the other agencies represented here today have long had a deep interest in this subject and the actions of Congress in creating the Commission has given impetus and priority and momentum to this really very, very important initiative.

I want to commend so many of you here today, both the governmental agencies and the private sector, for the extraordinary efforts that so many of you have put into this critically important subject. And I want to emphasize that as we look at this Commission, its purpose is not to displace those efforts. Far from it. It's to add priority and momentum to those efforts. It's to create greater awareness of the far reaching need for greater financial literacy in this country. It's to share best practices among us all. It's to coordinate our efforts. And as I say, it's to make the whole cause of financial literacy something that has even more energy behind it.

Why is it so important? Well, it's important because having a sense of financial literacy is as central to navigating one's financial life as knowing how to drive a car is to getting out on the highways. And a lot of people don't have those skills. And if you don't have those fundamental skills and you get out on the highways and drive an automobile, you're likely to have a wreck. And in your financial life, if you don't have those skills, same thing's going to happen. You're likely to have a wreck. But by having those skills, by mastering those basic skills, you can go places. We limit the prospects for many people because they don't have those skills and we need, as many of your organizations do, to begin inculcating those skills early, early in life.

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One of the alarming things I've noted recently in some statistics I've seen is the bankruptcy rates among young people, people in their 20s. Alarming high bankruptcy rates.

If while they were in high school somebody had talked to them about saving, investing, managing a credit card, opening a checking account, they'd be a lot better off and the nation would be a lot better off.

Think of the immigrants to America, the millions of people who come to America from places that don't have sophisticated consumer finance products and who are confronted with the array of consumer products, finance products that are available in this country, how bewildered they must be and how important it is that they get some sense of those financial products, learn the skills of opening a checking account, managing a credit card, investing and saving so that they too can pursue the American dream. That's what financial literacy makes possible for millions and millions of people who without those skills have much more limited horizons, less promising prospects ahead of them.

So, on this opening of the new Commission, I want to say we at Treasury pledge our support to work with both the governmental and non-governmental institutions and groups, and individuals who play such an important part in moving forward with this critical initiative.

And with that, I'd like to call on the distinguished Chairman of the Federal Reserve System, Alan Greenspan.

**CHAIRMAN GREENSPAN:** Thank you very much, Secretary. I too want to welcome all the distinguished members of the Commission. Their job is going to become increasingly difficult as they delve ever more deeply into the complexity of the type of system we have.

For an increasingly complex financial system to function effectively, widespread dissemination of timely financial information among educated market participants is essential if they are to make the type of informed judgments that promote their own well being and foster the most efficient allocation of capital within our economy.

However beneficial, complexity and change, as we all observe day by day, can be most unsettling, especially when people are required to interface with the new technologies which many of us struggle to figure out how to make work. And speaking for

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myself, I'm a great struggler. I hope I succeed on occasion. But it's essential that we do that.

However beneficial, this complexity and change is a real significant challenge. But just as the rapid adoption of new information technologies has expanded the scope and utility of our financial products, so has it increased our means of addressing some of the challenges these changes pose.

For example, just as universities provide remote learning options to allow students to pursue continuing education via the Internet, consumers can utilize software to create customized budgets to develop long term saving strategies for retirement or their children's college education. In both scenarios, technological advances represent the opportunity for achieving efficiencies and exercising preferences, but only when the end users possess the knowledge of how to access pertinent information and most importantly, how to capitalize on such choices.

As in the work place, fostering education that will enable individuals to overcome their reluctance or inability to take full advantage of technological advances and product innovation in the financial sector can be a means of increasing economic opportunity. As market forces continue to expand the range of providers of services, financial services specifically, consumers will have more choice and flexibility in how they manage their financial matters. They will also need to accumulate the appropriate knowledge about how to use new technologies and how to make financial decisions in an informed manner.

The objective of this Commission is to develop a strategy for improving the financial acumen of consumers while increasing efficiencies in the delivery of financial education services among the myriad of providers for the benefit of all consumers.

The Federal Reserve has a longstanding interest in increasing economic education and more recently has been engaged in activities to promote such education. The Federal Reserve has also sought to increase awareness about products and services that have consumer protection implications.

These and many other related efforts have been overseen by Governor Edward Gramlich, the Chair of the Federal Reserve's Oversight Committee on Consumer and Community Affairs. Given his significant expertise, dedication and experience in financial education, I am designating him as my alternate to the

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Commission. I personally look forward to following the progress of this Commission as it works towards increasing consumers' capacity to make the financial decisions that will enrich their lives. Thank you very much.

SECRETARY SNOW: Chairman, thank you very much.

Chairman Greenspan and I have a meeting we need to move on to and I've asked Wayne Abernathy, the Assistant Secretary for Financial Institutions, to chair the meeting.

Let me close by again saying we welcome your being here, we thank you for being here and we look forward to working with all of you to make this Commission a great success and to see that the underlying purpose of broadening financial acumen, developing financial skills, is achieved.

And just as households need to control spending, let me say we understand that nations need to control spending and that's a message that I intend to take to the Congress next week when I testify on the budget of the United States. So the lessons of good financial management that we want to see applied at the micro level to individuals and households, we're also going to make sure get applied at the national level, the budget of the United States.

Thank you very much and, Chairman, you and I, I think, need to move on. Thank you.

MR. ABERNATHY: We would like to call now upon FDIC Chairman Don Powell to say a few words.

CHAIRMAN POWELL: Thank you, Wayne, and I too want to applaud the Secretary for assembling this Commission today and we at the FDIC are proud to be part of this very distinguished group.

I also want to commend the leadership on Capitol Hill for enacting this legislation that will highlight the need for financial literacy in this country.

We at the FDIC have been involved in financial literacy for some time. We have a program called "Money Smart." It's a curriculum that targets adults that we believe that for one reason or another are not in the financial mainstream of America. That program now has reached some 100,000 people. We have some 5,000 instructors that are in the market place teaching this particular curriculum. Also I've visited some of these sites and watched some of these

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instructors and have talked to some of the folks that are participating in this particular program. Then I visited in the marketplace some of the banks that also participate in this program.

I think it's important for us to focus as we go forward here on the fundamentals of financial literacy, teaching an individual to balance a checking account, open an account, understanding what debt will do, compound interest, some of the very fundamental things. But I think it's also important that we think about certain life skills.

When I visit some of the people that are customers of payday lenders, this is what I get, some of the comments back to me. In fact, I was in Texas recently and stopped in a line in a convenience store of a payday lender. And I tapped a chap on the shoulder and I said, "Do you know that there is a bank down the street that will cash your check free? You can open a checking account and you can also get other financial services and the bank is only one block from this site." He said, "I know that. I also know that that is the bank that foreclosed on my brother's pick up."

So I think there is distrust of financial institutions. I think there is an intimidation factor. I also think there is a language barrier. And I think we don't create an atmosphere where those that are not in the mainstream banking feel comfortable about walking into a bank. So, I would hope that we would also talk about the fundamental issues of financial education, but talk about what I would refer to as the culture issues, the soft issues, as they relate to making sure that we get those that are not part of the mainstream of America into the mainstream. Thank you.

MR. ABERNATHY:

Thank you, Chairman Powell. The FDIC has one of the most aggressive financial literacy programs that I have seen. We're very grateful to be able to work with the FDIC and to coordinate with them.

Now, I'd like to call upon the Chairman of the Federal Trade Commission, Timothy Muris, to share a few remarks.

CHAIRMAN MURIS:

Thank you very much, Wayne. It's a pleasure to be here and this is indeed a very important topic. We live in an economy that largely relies on markets to produce consumer benefits. Markets work best when consumers can make informed choices based on accurate information. Financial literacy is obviously crucial to allow consumers to make informed choices about credit.

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Now, consumer education in general, and specifically consumer education about credit, is a priority for the Federal Trade Commission. Carolyn Shanoff and Colleen Tressler from our Office of Consumer and Business Education are with me today. Through that office, we develop creative and effective ways to help consumers make smart decisions in the market.

When we take a law enforcement action, we usually combine it with education. We tell consumers the news they can use, the messages they should learn from the case. We bring many credit cases and we have dozens of consumer publications about credit that are available online and through our toll free phone number. We also work with the media and various partners, including many in this room, to deliver our consumer education messages.

An important issue that the FTC addresses is identity theft and we have an extensive ID theft education program. One of the most devastating consequences of ID theft is the damage that it can cause to a victim's credit record. We operate the national clearing house for ID theft complaints and we have written a comprehensive guide with tips on how to avoid identity theft and what to do if it happens.

In recent weeks, CBS has been televising a public service message featuring Craig T. Nelson of "The District" encouraging consumers to visit our ID theft website. And just a few days ago, GE Consumer Finance unveiled a website for consumers based on our ID theft material.

We're a busy place. The FTC also organizes National Consumer Protection Week. For this year, next week is the week and its theme is, "Financial Literacy: Earning a Lifetime of Dividends."

Finally, I would like to mention our commitment to make consumer information available in Spanish. Since I arrived at the FTC, we have developed a full selection of Spanish language information that we disseminate as widely as possible via Spanish language media, Hispanic organizations and other channels that reach Hispanic consumers.

I speak for the Federal Trade Commission when I say that we are looking forward to working with the Financial Literacy and Education Commission to develop a national strategy to promote financial literacy. Together we can help Americans become better informed consumers. Thank you very much.

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MR. ABERNATHY: Thank you, Chairman Muris. I would now like to extend some time to the Director of the Office of Thrift Supervision, Director James Gilleran.

DIRECTOR GILLERAN: Thank you, Wayne. Good morning to all. The need for financial literacy has been with us forever. I was lucky enough to receive it from my mother who controlled the purse strings in my household when I was growing up. And her advice was very simple. She says, "If you make a buck and you spend 99 cents, you're in heaven. You make a buck and you spend a \$1.01 and you're in hell." And that has stuck with me my entire life, that simple message.

In the last decade or so, the need for financial literacy has grown by leaps and bounds because what we've had in that period of time is a democratization of credit in this country. Don Powell has often said that it was probably difficult for your father to receive \$1,000 in credit. It certainly was for mine and for me even, when I started out. My daughters each receive offers of \$5,000 in credit probably several times a week. And what this has done is that it's created an opportunity for people to hurt themselves when they don't know the fact that if you spend \$1.01, you can be in hell.

At the OTS, the Office of Thrift Supervision, we regulate the 1,000 or so thrifts in the country and senior citizens of the country use the thrifts as customers for both loans and deposits. We have singled out the area of education of our senior population as one that we are particularly interested in and we're participating with a number of organizations to be able to distribute information to them to help them avoid being victims. Because just as the Secretary pointed out the bankruptcy increase for the young, the elderly in the country are targets for abuse in that area. So we have singled that group out.

But I very much like the idea of developing an overall strategy because together we are so much more powerful I think in delivering this message than we are just alone. Thank you very much.

MR. ABERNATHY: Thank you, Director Gilleran.

I would now like to turn some time over to the Commissioner of the Social Security Administration, Commissioner Jo Anne Barnhart.

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COMMISSIONER  
BARNHART:

Thank you, Wayne. I really appreciate this opportunity to take part in the Commission's meeting to discuss improving the financial literacy of all Americans. For us at the Social Security Administration, this is a particularly important subject.

Social Security touches nearly every American across the country. Nine out of 10 individuals age 65 or older receive Social Security benefits. But Social Security isn't just a retirement program, as you know. Thirty percent of our beneficiaries are disabled or survivors, the widows, widowers and children of deceased workers. Our programs are vitally important to the well being of many, many people. From its inception, Social Security was supposed to be one part of a multi pronged approach to saving for the future.

Approximately one third of our beneficiaries have no other income than Social Security and for two thirds of retirees Social Security makes up at least half of their income. One of our biggest challenges is to encourage all Americans to take a realistic view of what they can actually expect to receive from Social Security. This is really critical so they can adequately plan for their retirement years.

Like all the agencies that are present here today, at Social Security we have an active public education program and I'd like to highlight just a few of the significant activities that we engage in. They're led by our Deputy Commissioner for Communications, Jim Courtney, who's here with me today.

SSA mails out an annual statement to all workers who are age 25 or older. It arrives two to three months before their birthday every year and the statement gives the individual the opportunity to take a look at their earnings history on which their benefits in the future are going to be based. This statement provides estimates of what their Social Security benefit will be in terms of retirement, disability and survivors and it explains the long term physical challenges that are facing the program.

When workers get their statement each year, we encourage them to use it to figure out their financial goals and their plans for retirement. In addition, our website -- [socialsecurity.gov](http://socialsecurity.gov) -- provides benefit calculators and a host of other information to assist people in realizing where Social Security fits in and should fit in to their financial future. What's more, our managers and our public affairs specialists across the country speak to a host of local

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organizations about our programs and our policies as part of their regularly assigned day to day duties.

As you can see, Social Security, like all of you, is doing a lot already, but I want to share a story with you that I think explains why we must continue to do more and why the work of this Commission will be so important. An SSA employee told me this story a year or so ago.

It's a story about a 63 year old cab driver who I will call "Mike" who came into our office to file for benefits upon retirement. And near the end of the application process Mike asked what the amount of his monthly Social Security benefit was going to be. When he heard the response, he said, "I can't live on that." And the employee, who was very sympathetic, reminded him that Social Security was never intended to be the sole source of his retirement income. To that, Mike replied, "I wish someone had told me that a long time ago when I still had time to do something about it." And unfortunately, Mike's situation is not uncommon.

This Commission, I believe provides us with another important vehicle to work together as has been emphasized by the speakers before me today, to provide an understanding for people about their finances and the opportunities that are available to them to save and invest for their future. I look forward to working with all of you to improve the financial literacy of all Americans. Thank you.

MR. ABERNATHY: Thank you, Commissioner Barnhart.

As Director Gilleran was speaking, it reminded me that savings and loans and thrifts were probably originally created with a financial education component in mind to educate people that saving their money was the best way to begin to set aside their nest egg to buy their home. Similarly today, credit unions provide that same sort of nexus of educating people about the importance of financial tools for their future. And one of the great thrills that I've had in my responsibility as the Assistant Secretary has been to visit various credit unions that have outstanding programs in financial literacy.

I would like to turn some time over to the Chairman of the National Credit Union Administration, Dennis Dollar.

CHAIRMAN DOLLAR: Well thank you, Wayne. I appreciate the introduction, the opportunity. And as Chairman of the National Credit Union

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Administration, I'm very pleased to be here today. And we appreciate the fact that NCUA, which is the regulatory supervisory agency that's responsible for approximately 6,400 federally chartered credit unions and the insurer of about 83 million member accounts in almost 10,000 federally insured credit unions, both federal and state charters, to have been designated by Congress to be a part of this Commission.

I think that this Commission has the potential to create a synergy through the various agencies working together that on our own might have an impact, but together can have an even greater impact than the sum of our parts. Because the most important ingredient to achieving the American dream is financial education and is perhaps the vital link that is missing so many times.

From our experience, before anyone can effectively achieve the financial self sufficiency that's necessary to break the cycle of payday lending that Chairman Powell mentioned and progress to the level of building a credit base upon which they can build an approvable foundation and an application for a new vehicle loan or mortgage loan, they must have first of all the foundation of understanding America's mainstream financial system. And we who are in that system, we have a responsibility to help more Americans understand that system and how to make it work for them.

At NCUA, we developed an initiative that we've named Access Across America, which focuses on creating economic empowerment for Americans from all walks of life. The success of this initiative, since we're all kind of taking our moments to do a little brag piece here today, has provided lower cost credit union services in many under served communities across America and the results have been tremendous. Since we began the initiative in 2001, there have been 558 federal credit unions that have adopted 975 CDFI designated investment census tracks, also known as under served areas or unbanked areas, with over 64.7 million Americans residing in those neighborhoods, which now, as a result of this initiative, are eligible to join a local credit union and at the beginning of this initiative they were not.

To demonstrate how well this initiative has been received in producing results, the average membership growth rate in these 558 credit unions which adopted under served areas is 92.6 percent greater than the average membership growth rate in the credit union industry as a whole. Very importantly, these residents not only have access to the lower cost financial services that might

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provide an alternative to the pawn shops and the check cashers and the rent to own outlets that have proliferated in their neighborhoods, but they also will have access to financial education resources.

Under the umbrella of our Access Across America initiative, NCUA has already partnered with the FDIC in promoting the Money Smart Program that Chairman Powell mentioned a moment ago. We promoted it to credit unions and are closing in on 1,000 credit unions today that are participating in the Money Smart Program. We've been extremely pleased with the results of this, but we have also joined in partnership, and I think this is a part of what this Commission is about, to promote these types of partnerships with the Treasury Department, with the Department of Agriculture, HUD, IRS, the Neighborhood Reinvestment Corporation and other entities that have ongoing financial literacy efforts, again with an emphasis on the synergy that comes from us being able to accomplish more working together than we can on our own.

I want to commend Secretary Snow for his leadership in bringing this meeting together today for promoting financial literacy across America and NCUA is honored to have a seat at this table.

To emphasize the level of our agency's commitment in this regard, I've designated NCUA Vice Chair JoAnn Johnson, who is with me today to serve as NCUA's official representative on the Commission and we look forward to working with you in active participation and partnership in this effort. We're confident that the results will benefit millions of Americans in their goals for financial self sufficiency because many times they are missing the vital link of financial education and hopefully, and I believe that it will, the results of this Commission will contribute greatly to meeting that need. Thank you very much. Thank you, Wayne.

MR. ABERNATHY:

Thank you, Chairman Dollar.

I think we're getting the picture of how important this issue is. I think we're beginning to get an understanding of how much work is already being done by the various agencies represented here at the table. I think the fact that you were chosen by Congress to be a member of this Commission is recognition of the good work that has already been done. Now it's time to roll up our sleeves and get to work.

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We understand that the best work is not going to occur here in these meetings. This is more or less an opportunity to report and maybe to encourage one another. The important work will be what happens between the meetings. We would like to suggest that a couple of sub committees be created to tackle head on some of the charges that have been given to us under Title V of the legislation.

So the first proposal we would like to make is that a sub committee be formed to consider how to meet the requirement under Title V of the Act to establish and maintain a toll free telephone number for financial education purposes. Our view would be, and what we would suggest is, this subcommittee and others that we would propose would be open to membership of any members of the Commission that would like to participate in that and we would be in touch with you and your staff designees over the next two weeks to find out whether or not you would like to participate on either or all of whatever subcommittees we put in place.

As Secretary Snow wanted to emphasize, the purpose of this Commission is to coordinate your efforts, to encourage one another and to learn best practices from each other. And by doing that, we want to have as broad a participation in the various activities of this Commission as possible. So that's our first proposal. Is there any objection to that proposal or any discussion?

We would propose to name as the chairman of that sub committee Chairman Powell of the FDIC. Thank you very much.

Any objections? Thank you very much, Chairman Powell.

The second proposal we would make today is the formulation of a sub committee to consider how to meet the requirement under Title V to establish and maintain a financial education website. Are there any objections to that?

And we would like to suggest that the CFTC chair that sub committee.

Any objections? Thank you very much.

The next point that we would make is the legislation passed by Congress calls upon this body, this Commission to meet three times a year. So we would propose that the next schedule meeting of this Commission would occur on May 20th here at Treasury. We'll be in touch with you if there are any scheduling problems,

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but that would be the date we would propose. Why don't you take that back and check with your schedules to see if that will work?

What we'd like to do now with the remainder of our time is discuss a couple of key issues about financial literacy in particular. We would like to hear from any of the Commission members, particularly about innovative approaches to financial education that you have seen in your work or that you've used yourselves that have been successful in promoting not only financial education, especially those involving the private sector where if you really examine, that's where most of the money is that's been devoted to financial literacy. What are some of the ways that we can involve them? And I'd like to call upon Commissioner Cynthia Glassman from the SEC to perhaps take us off there.

COMMISSIONER  
GLASSMAN:

Thank you, Wayne. At the SEC, one of our long term initiatives has been educating investors and potential investors and our Office of Investor Education is devoted specifically to this purpose. And the head of it, Susan Wyderko, is with me today and in the audience.

That office has published an array of educational materials, both in English and in Spanish, to help people make wise investment decisions and importantly to avoid fraud.

One of the newer things we've done is make use of the Internet to create an interactive way for people to get our educational materials. We have a mutual fund cost calculator which allows investors to compare the costs of mutual funds and make the right decisions for them. And we have an interactive question and answer database which is also very helpful for investors. One of the most exciting initiatives, at least from my perspective, is a series of fake investor scams on the Internet all designed to illustrate the warning signs of online investment vehicles and the frauds that can accompany them. We've had millions of hits to this site and most people learn the lesson. Unfortunately, a few don't and they get angry with us because the scam wasn't real.

In the future, we're also going to be launching and overseeing a new non profit entity dedicated to promoting investor education. That entity is going to be funded with \$50 million during the next five years and that \$50 million was created as part of our settlement last year, the \$1.4 billion settlement with 10 investment banking firms.

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And our latest initiative, which we will be starting very shortly, is to use the rule comment period as an opportunity to reach out and educate investors.

We recently voted to approve a rule proposal that would explicitly require brokers to give specific new disclosures about costs and conflicts of interest to investors who purchase certain investments such as mutual funds, 529 plans, and variable annuities through the broker. While the proposed rule is out for comment, and it should be up on the Federal Register any minute now, we're going to use it as a springboard to help educate investors about these and other issues critical to making good investment decisions and we hope to reach all those 91 million investors in mutual funds.

Going forward, we are very proud to be a partner of the Financial Literacy and Education Commission and we look forward to working together with all of you to promote this terrific cause. Thank you.

MR. ABERNATHY:

Thank you, Commissioner Glassman.

Any others have some examples they want to cite to us of how they've been able to involve the private sector and draw upon their resources or encourage their resources? Please.

MR. ABELL:

I'm Charlie Abell from the Department of Defense and Secretary Rumsfeld has recognized from his earliest days that financial literacy and financial readiness is an important part of the way that we take care of our military personnel and their families. We've established actually a social compact between the Department, the military personnel and their families and an important part of that compact is what we call financial readiness training, but it is really financial literacy and education.

We have partnered with 26 Government and private sector agencies, some of whom are around this table today. In fact, we kicked off our financial readiness program on May 8, 2003 right here in this room with the Department of the Treasury, which is one of our partners in this. We use the credit union's training out at our bases and installations as well. We have incorporated into basic training and all of our professional development courses for both officers and enlisted personnel a period of financial readiness training as we have young folks who are for the first time in their life making a substantial and steady income and we also have segments of our society that figure out ways to prey upon their naiveté and their new riches, if you will.

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In addition, we've recognized that when our folks serve extended overseas tours like in Iraq and Afghanistan that the financial management center of gravity within the family shifts and so as they return home, we have incorporated financial literacy training, financial reading training, as part of our reunion campaign to help them recognize that and deal with the fact that if dad ran the checkbook, he's been away for a year, he comes back, mom's been running it, how to deal with reintegrating in that regard.

So we have a lot of experience and we also have a lot of energy. So we're looking forward to learning what others are doing in this regard, but we may have some things we can bring to the table.

MR. ABERNATHY:

Thank you, Deputy Under Secretary. One of the things I'd point out in the legislation that President Bush signed into law last fall amending the Fair Credit Reporting Act was allowing service men and women who are called away from home on duty to place alerts on their credit reports so that while they're not watching their credit history, they can make sure that someone else is looking at their credit history, which is an important way to fend off some of the sharks that circle around when we have our men and women off doing important things for this country.

Other examples that people want to share? Please.

MS. MILLS:

Yes, good morning. Cheryl Mills, Associate Deputy Administrator of the Small Business Administration. And first of all, thank you very much for inviting us to this.

We have a network of education resources across America that actually filters through my department, Entrepreneurial Development, and this would work hand in glove with what we're doing. I have 63 lead centers across America that are on university campuses called Small Business Developmental Centers. I have 1,100 subsidiaries that actually deliver the services from the lead centers to the clients for training and counseling.

I also have 11,000 SCOR volunteers under my department, which is the Service Corp of Retired Executives, which is an ideal resource for this Commission.

In addition, we have the Small Business Training Network. We had over 2.5 million between unique visitors and contacts to that and I'll certainly go back and see what we have on financial education, but our Small Business Training Network is all tailored to the very early nascent entrepreneur who's just thinking about

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starting a business to the in business and to the start up business. So I have a tremendous network already in place that I would love to offer that as hand in glove to work with the Commission.

MR. ABERNATHY:

I think that would be very important and very effective to our work. As I understand, the SBA also has a very successful 800 number program that we may want to learn some lessons from as we meet the requirement under the statute.

Other comments that members would like to make? Please.

MS. GRAY:

I'd like to make comments. I'm Mary McPhail Gray, Deputy Administrator in USDA. My unit is the Cooperative State Research, Education, and Extension Service. We have the partnership with Land Grant Universities across the country. Cheryl reminded me of how much we work with SBDC, but we have a cooperative partnership with all the land grants universities across the country. We partner with over 3,000 county education offices where we have continual education including financial literacy and those topics related to family resource management.

I would like to commend several individuals who talked about critical teachable moments when financial literacy is extremely important. One is obviously in the public school system in junior high and senior high. We have cooperated with a number of partners; that's the name of the game in this work; collaboration and partnerships. We have partnered to implement the High School Financial Planning curriculum over many years where we help young people learn these basic financial skills.

We also have cooperated with AARP over the years with the Women's Financial Independence Program. Again, a teachable moment often when a woman may be managing household finances for the first time.

In addition, we have a Financial Security in Later Life new programming initiative that has extensive web-based educational materials for people planning towards retirement and making those lifelong decisions about how are they going to survive with something more than just Social Security.

One of the things I would like to stress is that the use of money and financial management are value laden and highly sensitive in our culture. We may believe that just providing information makes a difference, but we really have found in Cooperative Extension, especially with our local county educators, that critical

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partnerships with local organizations that also support this effort: employers, banks, other organizations, are critical to our success. The decisions made around finances really relate to cultural and family lessons. We know that in marital relationships, financial management is one of the highest conflict areas that is ever seen, even more so than dealing with children. We also know that money and finances have personal meaning to people and one of the first relationship issues that must be negotiated in couples is what does savings mean and what does spending mean? Those are not usually negotiated and talked about openly among family members. I think this commission which carries a message again and again about how all of us need to be more financially literate and engage in educational partnerships across the life span will help enhance America's financial literacy and security.

We look forward to partnering with all of you as this work goes forward. I would like to comment that we have almost seven million young people in the 4 H Youth Development Program and we feel very, very committed to making sure that they have this information.

Thank you for the invitation and we look forward to great work together.

MR. ABERNATHY:

I think the USDA probably has the oldest and most widespread financial literacy program in the country. My father often commented to me, "If you want to find the most financially savvy people in the country, go to farmers." And it's because what they've learned by and large at the cooperative extension and the resources that are made available to them.

Any other comments? Please, Assistant Secretary Combs.

MS. COMBS:

I'm Ann Combs with the Labor Department. We have a statutory mandate at the Labor Department to conduct a program of outreach on retirement savings, specifically to develop educational materials and also to host a series of national summits on retirement savings.

Our most recent summit occurred in 2002 and we're planning for one in 2005, which I think would be a good opportunity for us to showcase some of the materials we are able to develop and discuss here at this Commission.

At our last summit, however, we partnered very closely with the private sector and put a lot of energy and time into developing different ways of talking to different generations, messaging, and

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what works with younger people versus people who are early in their careers, mid careers and then those who are retired. We worked with a lot of experts in the private sector on those sorts of marketing techniques and found that very different messages are effective with different groups and we'd be happy to share some of that information and the data we developed on that.

We also worked very closely with both for profit and not for profit organizations in the private sector on a number of projects. We are about to unveil some public service announcements that we've developed with the Consumer Federation of America encouraging people to take advantage of opportunities to save in the work place, pointing out that they're leaving money on the table, for instance, if they have a 401K plan through their work place and the employer offers a matching contribution and they don't take advantage of it. So those are going to be unveiled this spring.

And we are about to roll out a publication that we developed with many groups focusing on near retirement, people who are not yet retired but are starting to plan for it and it's really a work book to help them assess what their situation is, what their options are, what they may need to do in order to be able to retire and to retire in a manner in which they can continue their standard of living.

So we are extremely committed to this and really look forward to being able to work with this group and to learn from you effective ways to help leverage our message and our materials because we come in specifically, as I said, our statutory mandate is saving for retirement, but unless people have the basic tools of financial literacy and understand, someone mentioned compound interest, the need to save, to not be in debt, you can't begin to save for retirement if you have a large credit card debt or you don't understand the basic principles of finance. So it's critically important that people, before they have to take on this very complicated and important task, have the tools that they need to be able to accomplish it.

So we appreciate the opportunity to be part of the Commission and look forward to working with all of you. Thank you.

MR. ABERNATHY:

Thank you very much. I was surprised when I taught a high school class, at the invitation of my daughter, how the eyes opened up when those young people understood that the time to begin retirement preparation is at the beginning of your career, not at the end of your career and what a difference it makes.

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Other comments? Please.

MR. BENOWITZ: I'm Steve Benowitz from the Office of Personnel Management here today on behalf of Director Kay James. We appreciate the opportunity to participate.

There are two things I want to mention just briefly. One is that OPM is responsible for the stewardship of the World's largest defined benefit retirement system, the civil service retirement system and the federal employee's retirement system.

MR. ABERNATHY: We're counting on it.

MR. BENOWITZ: I thought I might get your interest. And as part of that, each agency in the Government is responsible for providing benefits counseling to their employees and we have a group of people, and Ray Kirk from OPM is here, who is responsible for the oversight of that. We have a group of people who interact with all of your agency staff to provide that information and we're talking about 1.8 million active civil servants at this point in time and very complementary kind of work that we do that Charlie Abell talked about that Defense is doing with our fellow citizens in uniform.

The other piece that OPM is engaged in is a project we have responsibility for six of the E-Gov projects under the President's Management Agenda and one of those is an online learning system called Go Learn. This is a system which is up and running and is available by subscription to your agencies and it may be of value, at least in the second sub committee, the project on financial education website, for us to participate in that and to bring some of our experts in the Go Learn project, partly so we can collaborate and expand that information database for federal employees to use and also to share the expertise that we have in web based learning.

MR. ABERNATHY: That would be outstanding and very welcome. Thank you very much.

Other comments? Please.

MS. WILLIAMS: The Office of Controller of the Currency, which some of you know this, we don't control the money, but we do regulate the national banking system. And our efforts have focused on the key role that financial institutions can provide in fostering financial literacy. So, we have issued advisory materials to try to provide additional information for the financial institutions that we supervise about financial literacy initiatives areas of financial literacy where they

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can be proactive and constructive. And we have a financial literacy resource directory that is on our website that contains information about a whole host of financial literacy initiatives and programs tailored to trying to provide this information to financial institutions so that they can develop financial literacy programs that work for the individuals that they have in their local areas. It's a good example of I think a Government private sector linkage to foster financial literacy initiatives. And we too welcome the opportunity to participate in the Commission's activities.

MR. ABERNATHY: All right. Thank you. Any other comments? Please, Governor Gramlich.

GOVERNOR GRAMLICH: Yes. Thank you, Wayne. Wayne and I shared a podium over here, when was it, a year ago?

MR. ABERNATHY: Not quite that long ago.

GOVERNOR GRAMLICH: Not quite that long. And we kicked off an early effort here.

As Chairman Greenspan said, the Fed has been interested in financial literacy for a long time and unlike what Julie Williams said, we do control the money. One of the things we do is we host a press conference every other year where the Jump Start Coalition announces the results of a nationwide survey of high school seniors on their knowledge of the basics of personal finance. The results, by the way, are not all that encouraging and there's plenty for this committee to do.

A lot of our bank regulation and consumer education is done through the Reserve Banks. There are 12 of them around the country and there are 25 branches. All the Reserve Banks have extensive consumer education and financial literacy programs that have been going on for a long time. We also have worried about our own employees. We actually began this by sitting down and talking with employers that we identified as having active workplace education programs. We had a round table of 15 to 20 of them and we asked them what kind of literacy programs they thought were the most beneficial. Since then we have been working on programs that represent the needs of our employees.

Part of this involves learning about our own benefits. Like all of the agencies represented here, the Federal Government has pretty good and pretty complicated, and pretty extensive benefit programs and not everybody knows about them. And so that was the first place we started. But we have later branched out into

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issues such as how do you buy a house, how do you manage credit, how do you do financial planning in general, how do you invest, how do you save and so forth. So, we've been working right within our own shop to try to do all that.

As Wayne and I said at this earlier session, we welcome this joint effort and we also think this is a very important issue for all of the agencies represented here. And by the way, I'm delighted to see there are so many to combine forces on it. Because there is an element of reinventing the wheel in all this and I think if we learn from each other, we can be that much more effective. Thank you.

MR. ABERNATHY:

Thank you very much, Governor.

Commissioner Hruska?

COMMISSIONER  
HRUSKA:

Thank you. I'm Sharon Brown Hruska, a Commissioner with the Commodity Futures Trading Commission. I'm here on behalf of Jim Newsome, the Chairman, who has asked me to represent our agency on the Financial Literacy and Education Commission. I just want to thank everyone for coming as well, and I appreciate the opportunity to really learn from the many programs that are taking place.

As Wayne noted, I have agreed to chair the sub committee that is going to discuss how to develop and maintain a financial education website. I just want to introduce myself to you in advance because many of you will probably hear from me at some point very soon. I am taking notes on all of the many great programs that you are talking about such as the MoneySmart system, and I've always admired the simulated website that the Securities and Exchange Commission has put up that simulates a fraud.

Educating the public about fraud is an area the Commodity Futures Trading Commission has struggled with, as well. The extent to which there are more and more fraudsters that are jumping on the web and promising exorbitant returns in everything from foreign currency, to heating oil futures, to options on gold and precious metals, is something we see all the time. You would be surprised from the youngest to the oldest, from the sophisticated to the unsophisticated – many folks fall for this type of fraud. So, I'm really looking forward to seeing what works elsewhere and learning how we can best set up a medium that's technologically savvy in some sense, but also can really cut to the chase. It's so important.

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First we have to get the information to people in various walks of life, various stages in their career, and in their personal life, and then we have to find a way to reach multi lingual audiences, different cultures, as has been mentioned. Then we also have to make sure that those who get the information get it. In other words, that they understand, that it somehow comes through and that our information and our message is effective. So, I just wanted to again congratulate all of you for participating. I think this is a great cause.

My background, initially I was a middle school teacher of Spanish, my first job out of college in education. Some time later, I went back to school and became a university finance professor. Education is my life, and I am so excited about this opportunity and really look forward to working with people to achieve the aims of the financial Literacy and Education Commission.

MR. ABERNATHY: Thank you, Commissioner.

Any other comments? Please.

DIRECTOR. NASIF: Hi, I'm Teresa Nasif and I'm representing Stephen Perry, Administrator of the General Services Administration, which is the home of the Office of Citizen Services and Communication and the Federal Citizen Information Center, which I'm director, has been part of GSA for 30 years. We were established by President Nixon to get information that citizens and consumers need to know about different federal programs and agencies. And so our original claim to fame was Pueblo, Colorado, which I am here to tell you, still exists and so we still distribute publications on behalf of many of the agencies here at the table and in cooperation with the private sector, many publications on many important topics.

As part of the USA Services, E-Gov (the Presidential E-Gov initiative) of which I'm executive sponsor, our goal is to have a front door for citizens to come and either order publications, pick up the phone and call us, or come to [firstgov.gov](http://firstgov.gov), the official portal of the U.S. Government. So whichever way a citizen needs information, we want to have a channel that they're comfortable with. And I'm looking forward to working with the Commission to offer our infrastructure, whether it's Pueblo, Colorado for publication distribution, [firstgov.gov](http://firstgov.gov) to help with the website development or our national contact center, 1 800 FEDINFO. We receive millions of phone calls a year from the public, usually lost souls who don't know what agency to go to because most citizens don't know which agency does what and so if they know 1 800

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FEDINFO, we can give them the answer. So we're looking forward to providing that infrastructure to advance the goals of the Commission.

Last year, we had 210 million contacts with the public through all of your channels and I feel like it's just wonderful to be here in the room with you all and I think that we do have some infrastructure, some expertise that we can bring to the table and we just think this is a very exciting development. Thank you.

MR. ABERNATHY: Thank you, Director Nasif.

Other comments? Please.

MS. MILLS: Cheryl Mills again with the Small Business Administration. I just want to share a strategic plan that I just took my department through. I told them we have to be proactive in government, not reactive. So we want to identify the entrepreneur of 2013.

And we identified the growing sector to be the 18 to 25 years olds and the plus 50. It will be a non caucasian, primarily Hispanic and then African American, Asian American and Native America Indian. And interesting enough, I did this in November, in January '04, Entrepreneur magazine out with an article identifying the entrepreneur in 2010. I could have paid them, I mean, it was identical, to validate this process. So I was thrilled about that.

And I mention this because Secretary Snow mentioned the high bankruptcy of people in their 20s and I think here we have also an identification and a strategic plan of the entrepreneur. That sector is going to grow and so we have to be very sensitive to the young people as they want to be entrepreneurs earlier and earlier. We do have to educate earlier and earlier.

And I think secondly, that plus 50 came out and certainly all of us here today identify the plus 50, plus Secretary Snow talked about the immigrants. And so we do have to pay attention to that. So I share that because I think that also validated some comments made by Secretary Snow today.

MR. ABERNATHY: Thank you. That's very helpful.

Any other comments? Please.

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MR. MARTIN:

Good morning. My name is Jack Martin. I'm Chief Financial Officer of the U.S. Department of Education here representing Secretary Rod Paige.

The Department held its first forum on economic education and financial literacy a year ago. That was January 2003 and we're committed to holding additional forums of this type in the future. Also as mandated by the landmark No Child Left Behind Act, the National Assessment of Educational Progress will test the fundamental economic knowledge of high school seniors for the first time in 2006. Also, as a result of No Child Left Behind, the Department is becoming increasingly sophisticated in evaluating and monitoring the proficiency of our students.

One vital outcome of this initiative is to promote the financial life skills necessary to compete successfully in today's global economy. I think No Child Left Behind will go a long way fully implemented to solving many of the problems with our kids starting with teaching them to read. I think No Child Left Behind is being well received around the country at this point in time and I think it's going to close the achievement gap between our disadvantaged kids in this country and their mainstream counterparts, as well as the tremendous gap in achievement in science and math between our kids in this country and the kids in the rest of the world.

So, I'm very pleased to be a part of this Commission as an officer to Secretary Paige and we look forward to working with you.

MR. ABERNATHY:

Thank you very much. The Department of Education has been a real pioneer in this effort with this administration. One of the very first events we held here on financial education, now well over a year ago, was a program that the Secretary of Education and the Secretary of the Treasury held to emphasize how to involve financial literacy into the curriculum, not adding new courses, but how to involve those concepts into the existing curriculum so that students could be taught at various levels throughout their school years about the importance of financial literacy and given those tools. So, we're very happy for your participation here with us.

And by the way, I should also say we robbed the Department of Education to get my deputy assistant secretary, Dan Iannicola came from the Department of Education. He used to run a school board. He knows about education. He knows about finance. And so he was a great find for us and has been a great contribution to our effort here.

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Any other comments before I conclude today? One of the lessons I learned is ending on time is just as important as starting on time, but we don't want to deny anybody the opportunity to share some thoughts that they have before we conclude.

Well, the next step is for us to recognize that not only are our resources deep, but our commitment is deeper and now it's time to go forward and to do the hard work, which is put in place the things that we've done and to continue to unfold the work of this Commission.

Thank you for your tremendous participation today and your dedication to this effort.

(Whereupon, the meeting was concluded at 11:40 a.m.)